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RUEHIL/AMEMBASSY ISLAMABAD 3047
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SUBJECT: NEW DELHI WEEKLY ECON OFFICE HIGHLIGHTS

REF: Mumbai 107

11. (U) Below is a compilation of Economic highlights from Embassy New Delhi for the week of April 23-27, 2007.

OIL AND GAS MINISTER DISCUSSES
LNG WITH TEHRAN

12. (SBU) India's Petroleum and Natural Gas Minister Murli Deora met with Iranian President Mahmoud Ahmadnejadi during an unscheduled stopover in Tehran April 26 to discuss their bilateral agreement of June 2005 on liquefied natural gas (LNG), media reported. This agreement provides for long-term delivery of 5 million metric tons annually of LNG (equal to about 6.6 billion cubic meters of natural gas), estimated at a total of \$22 billion, which has stalled over the last year due to Iran's demand for an upward price revision. Tehran now demands \$5.10 per million British thermal units (mmBtu), compared to its offer two years ago of \$3.215 per mmBtu. Deora was reportedly ready to offer at the meeting with Ahmadnejadi a higher price for an additional 2.5 million metric tons annually, provided the original price applied to the original 5 million metric tons. Afterwards, press reports in their typical fashion simply described a friendly, cooperative atmosphere for the talks. But as Embassy has reported previously, Iran has long claimed that its Economic Supreme Council still had to ratify the agreed price and had recently refused to do so. For its part, the GOI has contended the agreement was a signed contract and has cited Iran's price adjustment demand as evidence of the unreliability and insincerity of Iran's regime for this LNG deal and for any other long term deal, including the proposed Iran-Pakistan India (IPI) pipeline. We expect that neither side yielded ground on their pricing positions.

IMPORT DUTY ON PRIVATE AIRCRAFT
INCONSISTENT WITH INDIA'S GROWTH STORY

13. (SBU) In a meeting on April 24 with Joint Secretary Gautam Ray at the Ministry of Finance, Commerce Acting Assistant Secretary for Manufacturing Jaime Estrada outlined U.S. government and business

concerns about the three percent tariff duty on the import of all private aircraft, including helicopters. This import duty on private aircraft, which in addition to the existing 16 percent countervailing duty and four percent additional customs duty, results in an effective tax at the border of 23-24 percent. Ray said that our concern was "misplaced" since the aircraft is for personal consumption, does not affect U.S. companies, and taxes only five percent of aircraft imports, not all aircraft. He also explained that due to feedback from other GOI ministries and Indian companies, the Ministry is reexamining two specific areas: aircraft for training and for point-to-point tourism.

14. (SBU) Estrada and Commerce officials emphasized however that the import duty is also detrimental for Indian businesses that could use the smaller, more affordable aircraft to grow their economic base and reach more remote areas that are already connected with air strips. Ray disagreed, saying that if "businesses are going to remote areas, the aircraft is not for general use," thus meeting the focus of the new import duty. Also, Ray stressed, "the idea is not to tax the general public." He also added that the import duty will hardly generate revenue, "not even USD 20 million," and is more about being equitable and taxing those that import aircraft for personal use. Commerce officials further stressed that the growth in India's private sector is an exciting story, and the GOI should focus on making its policies consistent and examining ways to spur the growth of the aviation sector as a whole. Ray noted that the Ministry of Finance will meet in ten days to review this tax along with other 2007-2008 budget items. Embassy is following up with U.S. companies to obtain data and specific examples of cancelled aircraft orders and further press GOI to eliminate the proposed three percent import duty on private aircraft.

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TAMIL NADU SEES DOUBLE DIGIT
GROWTH IN IT AND AUTO SECTORS

15. (U) The Confederation of Indian Industry (CII) - Southern Region reported double digit growth in the information technology and automobile sectors in Tamil Nadu. In a survey covering October 2006 - March 2007, CII found revenue growth of 18 percent in the automotive sector and 25 per cent in the IT sector. Demonstrating the growth in IT in Tamil Nadu, IBM confirmed that it will soon open its fourth facility in Chennai, which will house 3,000 additional employees. CII's report did, however, echo the concern highlighted in Chennai 289 that a lack of skilled manpower is becoming a serious issue for industry in Tamil Nadu.

IPR CENTER STAGE IN SOUTH INDIA

16. (U) Ian Ellis of the Department of Commerce's Office of the U.S. Coordinator for International Intellectual Property Enforcement participated in a two-day workshop on Protection of Intellectual Property Rights held in Chennai April 25-26. The workshop was sponsored by the Federation of Indian Chambers of Commerce and Industry. Consulate General Chennai will participate in another workshop on intellectual property rights sponsored by the Southern India Chamber of Commerce on April 28.

17. (U) Visit New Delhi's Classified Website:
<http://www.state.sgov/p/sa/newdelhi>

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